

CITY OF WARREN, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2019

CITY OF WARREN, PENNSYLVANIA
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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditor's Report

To the City Council
City of Warren, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditor's Report **(Continued)**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren, Pennsylvania's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020 on our consideration of the City of Warren, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Warren's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warren, Pennsylvania's internal control over financial reporting and compliance.


Felix and Gloekler, P.C.

September 2, 2020
Erie, Pennsylvania

CITY OF WARREN, PENNSYLVANIA
Management's Discussion and Analysis
For the Year Ended December 31, 2019

As management of the City of Warren, we offer readers of the City of Warren's financial statements this narrative overview and analysis of the financial activities of the City of Warren for the fiscal year ended December 31, 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$53,302,115 (net position). Of this amount, \$9,637,642 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,910,244. Approximately 69% of this total amount, \$3,378,352 is available for spending at the government's discretion (assigned and unassigned fund balances).
- The City's General Fund reported a positive fund balance of \$3,415,778 as of December 31, 2019 compared to a positive fund balance of \$3,999,733 as of December 31, 2018.

Overview of the Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position provides information on all the of the City's assets, liabilities and deferred inflows and outflows of resources with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Warren is improving or deteriorating. Other factors to consider are changes in the City's property tax base, changes in the resident base, and the condition of the City's roads and bridges.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes, earned but unused vacation leave, accrued payroll, accrued interest on long-term debt, and intergovernmental receivables.

The government-wide financial statements distinguish functions of the City of Warren that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, building code enforcement, and culture and recreation. The business-type activities of the City include the operation of the sewage treatment plant and the operation of the parking lots and garage.

The City's government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure), as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made in regard to internal activity, payables and receivables.

In the statement of net position and the statement of activities, we separate the City activities as follows:

Governmental Activities – Most of the City's basic services are reported in this category, including general government, fire, police, public works, building code enforcement, parks, recreation, and community services. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type Activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's sewage treatment and parking activities are reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed toward specific activities of the City. Except for the general fund, specific funds are established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the governmental fund financial statements from those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Warren adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The City also adopts a budget for the capital improvement program fund, the sewer revenue fund, and the parking revenue fund.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its wastewater utility and parking facilities. An internal service fund is used to account for the City's tax collection office.

Fiduciary Funds

Assets held by the City for other parties, either as a trustee or an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is the trustee, or fiduciary, for the City's three defined benefit pension plans. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule for the general fund, pension information, and postemployment benefit information. Other supplementary information includes a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balances for non-major governmental funds, and budgetary schedules for the sewer revenue fund and the parking revenue fund.

Government-wide Financial Analysis

The following schedule is a summary of the statements of net position.

City of Warren, Pennsylvania
Net Position at December 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>Assets</u>						
Current and other assets	\$ 5,795,074	\$ 5,872,229	\$ 6,747,619	\$ 6,431,549	\$ 12,542,693	\$ 12,303,778
Internal balances	434,950	434,777	(434,950)	(434,777)	-	-
Capital assets, net of depreciation	29,067,755	28,504,095	34,957,632	35,501,136	64,025,387	64,005,231
Net Pension Asset	694,826	-	-	-	-	-
Total Assets	<u>35,992,605</u>	<u>34,811,101</u>	<u>41,270,301</u>	<u>41,497,908</u>	<u>77,262,906</u>	<u>76,309,009</u>
<u>Deferred Outflows of Resources</u>						
Deferred Outflows - pensions	-	1,193,266	-	-	-	1,193,266
Total Deferred Outflows	<u>-</u>	<u>1,193,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,266</u>
<u>Liabilities</u>						
Current and other liabilities	1,219,760	705,421	779,796	783,138	1,999,556	1,488,559
Long-term portion of liabilities	1,596,765	4,152,327	18,413,761	19,054,341	20,010,526	23,206,668
Total Liabilities	<u>2,816,525</u>	<u>4,857,748</u>	<u>19,193,557</u>	<u>19,837,479</u>	<u>22,010,082</u>	<u>24,695,227</u>
<u>Deferred Inflows of Resources</u>						
Deferred Inflows - pensions	1,741,525	-	-	-	1,741,525	-
Unearned revenues-spec assessments	209,184	220,954	-	-	209,184	220,954
Total Deferred Inflows	<u>1,950,709</u>	<u>220,954</u>	<u>-</u>	<u>-</u>	<u>1,950,709</u>	<u>220,954</u>
<u>Net Position</u>						
Investment in capital assets, net of related debt	27,411,225	27,257,994	15,895,747	15,746,637	43,306,972	43,004,631
Restricted	357,501	356,086	-	-	357,501	356,086
Unrestricted	3,456,645	3,311,585	6,180,997	5,913,792	9,637,642	9,225,377
Total Net Position	<u>\$ 31,225,371</u>	<u>\$ 30,925,665</u>	<u>\$ 22,076,744</u>	<u>\$ 21,660,429</u>	<u>\$ 53,302,115</u>	<u>\$ 52,586,094</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Warren, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,302,115 at the close of the most recent fiscal year.

A significant portion of the City's net assets (82%) reflects its investment in capital assets (land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources of \$357,501 are subject to external restrictions for highway, street and building renovation projects. The balance of unrestricted net position of \$9,637,642 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The City's net position from governmental activities increased \$299,706 from \$30,925,665 to \$31,225,371.

The City's net position from business-type activities increased \$416,315 from \$21,660,429 to \$22,076,744. Net investment in capital assets increased \$149,110; unrestricted net position increased \$267,205.

The following is a summary of the information presented in the statement of activities:

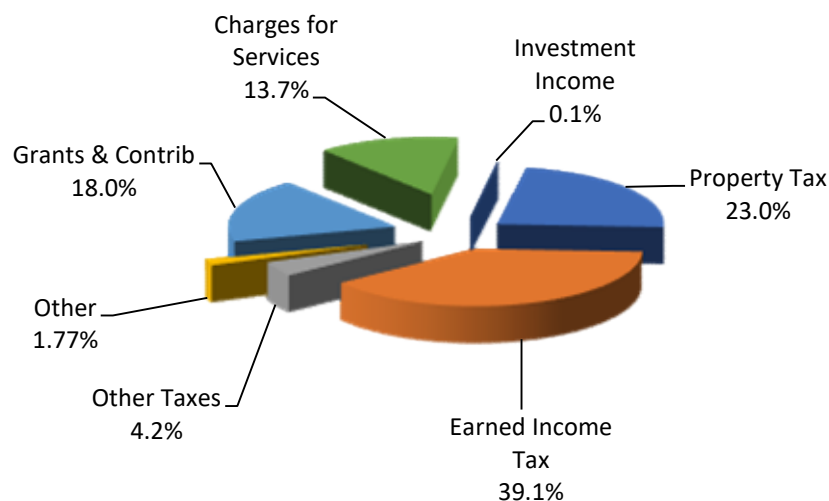
City of Warren, Pennsylvania						
Changes in Net Position for the Years Ended December 31, 2019 and 2018						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,348,480	\$ 1,237,502	\$ 3,046,576	\$ 3,048,082	\$ 4,395,056	\$ 4,285,584
Operating grants and contrib	1,749,593	855,275	-	-	1,749,593	855,275
Capital grants and contrib	18,271	213,766	-	-	18,271	213,766
General Revenues:						
Property taxes	2,258,961	2,230,793	-	-	2,258,961	2,230,793
Earned income tax	3,831,547	3,851,860	-	-	3,831,547	3,851,860
Other taxes	413,346	420,558	-	-	413,346	420,558
Investment income	13,752	43,576	120,497	87,461	134,249	131,037
Other	173,336	176,328	8,739	-	182,075	176,328
Total Revenues	9,807,286	9,029,658	3,175,812	3,135,543	12,983,098	12,165,201
<u>Expenses</u>						
Governmental Activities:						
General government	1,270,088	1,456,343	-	-	1,270,088	1,456,343
Public safety	4,344,128	5,187,375	-	-	4,344,128	5,187,375
Public works, culture/rec	2,923,797	2,388,745	-	-	2,923,797	2,388,745
Community development	733,792	556,551	-	-	733,792	556,551
Building code enforcement	376,691	402,445	-	-	376,691	402,445
Interest expense	63,240	216,317	-	-	63,240	216,317
Other	-	-	-	-	-	-
Business-type Activities:						
Sewer wastewater	-	-	2,083,763	1,971,341	2,083,763	1,971,341
Parking	-	-	471,578	492,909	471,578	492,909
Total Expenses	9,711,736	10,207,776	2,555,341	2,464,250	12,267,077	12,672,026
Change in Net Position before other items	95,550	(1,178,118)	620,471	671,293	716,021	(506,825)
Special Item					-	-
Transfers	204,156	204,156	(204,156)	(204,156)	-	-
Capital Contributions					-	-
Change in Net Position	299,706	(973,962)	416,315	467,137	716,021	(506,825)
Net Position, Beginning of Year	30,925,665	31,899,627	21,660,429	21,193,292	52,586,094	53,092,919
Prior Period Adjustments						
Net Position, End of year	\$ 31,225,371	\$ 30,925,665	\$ 22,076,744	\$ 21,660,429	\$ 53,302,115	\$ 52,586,094

The City's governmental activities in 2019 relied heavily upon earned income tax revenue (39.1%), property tax revenue (23%), grants and contributions (18%), and charges for services (13.7%) to fund operations. The tax rate for both real estate and earned income remained the same for 2019 after an increase in 2013. The real estate rate is 19.8 mills; earned income is 2.2% (2.7% including the school district rate of .5%) for City residents. Although earned income tax revenue was slightly lower than the previous year, overall tax revenue closely mirrored 2018 with a slight increase of .01%.

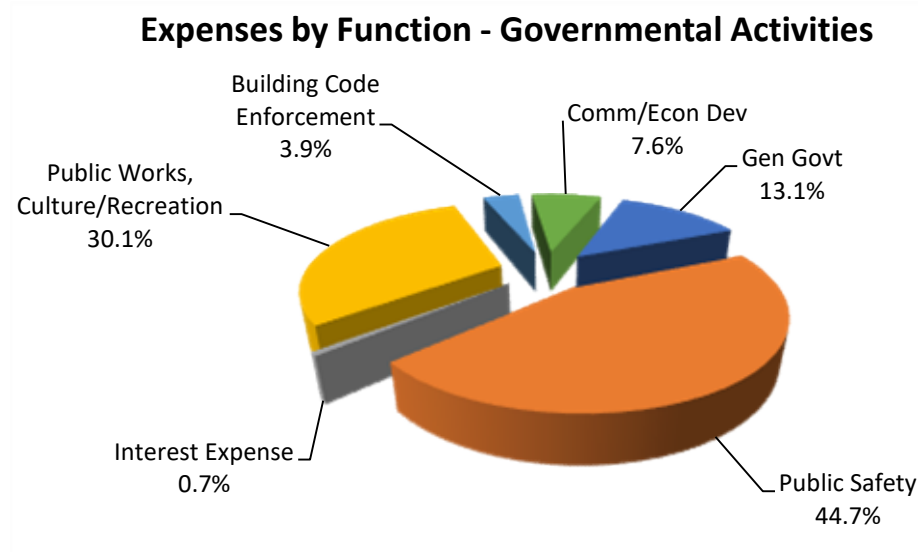
The cost of governmental activities totaled \$9,711,736 for the year ended December 31, 2019. Removing the impact of the change in net pension liability, deferred inflows, and deferred outflows of governmental activities decreased \$442,365, representing a 4% decrease from the prior year primarily attributed to a decrease in interest expense.

The following graph shows the composition of revenues by source for the City's governmental activities:

Revenues by Source - Governmental Activities



The following graph presents governmental expenses by function:



Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to \$43,306,972 (net of accumulated depreciation). This investment in capital assets includes land and buildings, machinery and equipment, vehicles, the sewer system, infrastructure and construction in progress.

Major capital asset events during the current fiscal year include the following:

- Computer/Network servers were purchased for the City: Admin HP server at a cost of \$26,172; Police HP server at a cost of \$23,564.
- The Police Department purchased a 2019 Ford Explorer Police Utility Interceptor patrol car at a cost of \$36,634.
- The Police Department also purchased (8) Motorola In-Car Radio Repeaters at a cost of \$32,000; (5) Colt M4 Carbine Rifles \$6,995; (20) Glock 45 Gen5 9MM Firearms \$3,294 after trade-in of (21) SIG firearms. The firearms were acquired with contributions from community businesses.
- The Fire Department purchased a Res-Q-Jack Apex Short Strut vehicle rescue equipment \$2,550; Holmatro 12 Bar Lifting Bags \$6,832; Tru ID Fire Hoses-various lengths \$11,792. These purchases were offset with PEMA-FCEMS state grant proceeds.
- The Fire Department also purchased Motorola Vehicle Radio Equipment system including (10) wireless portable radios at a cost of \$49,251.
- The Department of Public Works purchased a Vermeer Self-contained compost Trommel Screen at a cost of \$208,948 which was offset \$180,877 from an Act 101 Municipal Recycling program grant.

- The Department of Public Works purchased a 2019 Chevy Silverado Pickup truck at a cost of \$30,675; 2020 International Cab with Dump Body at a cost of \$159,744.
- Playground Equipment installed at Beaty Park including a Game Time PrimeTime 5-12 Structure valued at \$101,522 offset by a Game Time Grant of \$45,161 for a total cost of \$56,361. Also installed was a Game Time Space Whirl Merry-Go-Round at a cost of \$6,639.
- The Department of Public Works also purchased an insulated steel 12x14 Sectional Door and (6) insulated steel Man Doors installed at the DPW garage at a total cost of \$17,221.
- A renovation to a Betts Park Restroom facility was completed at a total cost of \$71,034. This project was partially funded by a Betts Foundation donation of \$57,621.
- Multi-year street restoration projects include 700 ft. of Frank Street completed at a cost of \$414,381; two blocks of Madison Avenue completed at a cost of \$266,174.
- Heavy equipment purchased by the Sewer Fund included a 2019 Caterpillar Backhoe Loder at a cost of \$106,759; 2019 Bobcat Skid-Steer at a cost of \$50,087.
- Sewer vehicle purchases included a 2019 Chevy Silverado Pickup truck at a cost of \$30,675; 2020 Chevy Colorado Pickup truck at a cost of \$30,245.
- Sewer fund equipment purchases included a Diagnostic Tool & Laptop Kit at a cost of \$2,895; Refrigerated Sampler System \$6,731; BOD Lab Incubator \$4,381; 4-Liter Lab Still \$5,843; (2) Sludge Depth Sensors \$10,889.
- A Sewer Outfall project at the Clark Street Pump Station was completed at a total cost of \$406,460.
- Total City-wide building, equipment and machinery disposed in 2019 totaled \$39,227 (net of accumulated depreciation).

Long-Term Liabilities

At the end of the current fiscal year, the City had revenue and general obligation notes that totaled \$1,218,134; compensated absences totaled \$435,571; other postemployment benefits totaled \$69,026; capital leases totaled \$15,354. Included in the revenue and general obligation note balance are two notes obtained in 2010 for Streetscape Project funding and for capital equipment purchases. The balance outstanding at year end for the 2017 Pennvest sewer treatment plant upgrade construction project totaled \$19,046,014. The City's total long-term liabilities decreased \$970,392.

General Fund Budgetary Highlights

Significant revenue differences between the final budget and actual amounts included a negative variance in taxes, primarily due to the collection of earned income tax slightly lower than budgeted. A positive balance is reflected in license and permit revenue which includes vendor/event permits, street/curb permits, and building permits/inspections. Intergovernmental revenue also reports a positive balance which includes an increase in pension state aid and PENNDOT winter maintenance, as well the receipt of a PEMA firefighter grant, a recycling performance grant, and numerous smaller grants. Interest, rents & royalties include an increase in interest earnings; however, proceeds from oil/gas royalties continue to decrease each year. Charge for Services revenue also reflects a positive variance primarily due to an increase in recycling fees received, increased EMS fees received, and parks/pool/recreation user fees.

Total general fund operating expenditures for the year (not including transfers to other funds) were at 96% of budget.

Significant expenditure variances were:

- Wages and benefit costs ended the year close to budget – only 2% less than budgeted.
- Supplies were 9% less than budgeted and include office, training, cleaning, and highway supplies.
- Property and liability insurances were 22.7% lower than budgeted.
- Utility expense (telephone, electricity, gas, sewer, water and solid waste disposal) was just slightly over budget at 2.9%. All utilities experienced an increase except for sewer and natural gas expense which were under budget.
- Professional services combined (accounting/auditing, consulting, engineering, legal) were 51.6% below budget.
- Contracted services exceeded the budget by 4.3% primarily due to an increase in street utility repair which directly correlates with the increase in street opening permit revenue.
- Training/education and meetings/conferences were at 36.8% budget.
- Capital equipment purchases were budgeted at \$376,900; actual purchases totaled \$688,998. This expense increase was primarily due to the purchase of fire equipment of \$21,472 not budgeted but offset by the PEMA grant, as well as the purchase of the trommel screen of \$208,498 not budgeted but offset by the recycling performance grant. Playground equipment installed at Beaty Park of \$56,361 was also not budgeted but was included in the GameTime grant.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Warren closely parallels the county seasonally adjusted rate of 5.1% at year-end – .6% higher than one year ago at 4.5% and higher than both the national (3.5%) and the state (4.5%). Warren County's rate is near the lowest in the region. Rates for Bradford and Erie were 6.4% and 4.7% respectively. Forest County experienced a rate of 7.9%; 5.4% in Meadville and 5.6% in Oil City.
- Figures from the 2010 census show that the City of Warren has lost 5.4% of its population since the 2000 census from 10,259 to approximately 9,710. 2015 estimates projected that the City population fell further to 9,400; 2019 estimates projected that the population fell even further to 9,049. This trend is mirrored by other northwestern Pennsylvania municipalities of similar size. The primary reason for the decline has been job loss. The new census data revealed that Warren County has one of the oldest populations in the state (5th out of 67 counties) and is one of 13 counties in the state to experience population loss of greater than 5% since the 2010 census; 23.5% of county residents are over age 65, partly due to the fact that young people do not return to the area after college. Only 19.3% of Warren County's population was under the age of 18 in 2019. Statistics show a total population of 40,396 in 2015 – a 3.4% drop since the last census in 2010 at 41,815. 2019 marks the third year where the county's population has dipped below 40,000 – estimates had the county's population in 2019 dropping to 39,191 from 39,677.
- Investment rates were down considerably at 2019 year-end at 1.50% up to 1.79% yield on the City's liquid investments with Pennsylvania Local Government Trust (PLGIT) compared to 2.19% - 2.50% at December 2018. Certificate of deposit rates also decreased averaging 1.70% for 90-180-day CD rates compared to 2.61%; 365-day CD rates were 1.72% compared to 2.85% a year ago. PLGIT Term rates reflect similar decreases: 90-180 day 1.78% at December 2019 compared to 2.76% at December 2018; 365-day Term rates 1.78% compared to 2.90%.

These factors, as well as factors including infrastructure costs, public safety costs, employee-related costs for healthcare, pensions, wages, and cuts in state and federal aid, were considered in preparing the City of Warren's budget for the 2020 fiscal year. The last few years have seen a pattern of appropriating the City's fund balance to balance the operational budget. After a 14.1% increase in general fund balance at the end of 2018, the City experienced a 14.6% decrease at the end of 2019. The City appropriated \$550,039 fund balance to balance its 2020 operational fiscal budget; fund balance of \$645,000 was appropriated in the 2020 budget to fund scheduled Capital Improvement Projects.

Highlights of the 2020 fiscal budget include:

- Earned income tax revenue is projected to remain stable with an increase of \$19,600 budgeted in 2020. Real estate transfer tax was increased \$12,000 based on projections from an EIP study. There are no budget changes to real property tax or local services tax in the 2020 budget.

- Employee wage and benefit costs (net of pension) are projected to increase 7.85% across all funds for 2020. Overall, health insurance rates reflect an 8.0% increase for 2020 even though union contracts negotiated for years 2018 thru 2020 resulted in increased cost sharing by employees.
- The Minimum Municipal Obligation (MMO) expense for the City's pension plans contains a 5.3% increase following a 3.2% decrease for 2019. A substantial increase over and above the expected pension state aid is again projected for 2020.
- A total of \$280,000 was appropriated for street resurfacing for the 2020 summer season to be funded by state appropriated Liquid Fuels funds. An additional \$190,000 has been appropriated to street resurfacing utilizing assigned fund balance. Also, funding of \$70,000 was again allocated for the engineering design for a streetscape project in the 200 block of Pennsylvania Avenue.
- Community Development Block Grant (CDBG) funding of \$250,000 was again appropriated for reconstruction of the curb, sidewalk, railing and retaining wall on Park Avenue, as well as \$25,000 of assigned general fund balance.
- The City continues to take an aggressive approach to upgrade its parks and playgrounds in order to bring them into compliance with the Americans with Disabilities Act (ADA). Included in the budget is \$550,000 for the Lacy Park playground sensory improvement project that includes \$265,000 funding from Pennsylvania Department of Conservation and Natural Resources (DCNR) and local contributions of \$120,000, as well as \$165,000 of assigned general fund balance.
- Funds of \$110,000 have been appropriated for dredging at the Third Avenue Bridge area. Also, \$50,000 has been appropriated for the Glade Run levee rehabilitation, right-of-way and relocation project.
- The eastern restroom at Betts Park is scheduled to be rehabilitated funded by \$50,000 Betts Foundation contributions and \$5,000 of assigned general fund balance.
- The tennis courts at Betts Park are scheduled to be repainted at a cost of \$32,000 funded by contributions.
- Included in the Police Department budget is \$10,000 for security system upgrades. Also included is \$93,000 for two police vehicles with 50% to be funded by a USDA grant.
- Included in the Fire Department budget is \$20,000 for the purchase of radio equipment and \$30,000 for the purchase of a new utility truck. Also included is \$2,000,000 for the replacement of two fire apparatus. It is anticipated that the City will finance the trucks over 15 years at 3.0%.
- Appropriations to continue the City's contracted services for grass cutting and snow removal for most City properties are included in the 2020 budget.

- Included in the Public Works budget is \$86,000 for the purchase of a three-ton dump truck and \$6,000 for a snowplow. Also included in the budget is \$40,000 for a 4x4 3/4-ton dump truck.
- Projected equipment purchases for various parks/playgrounds total \$16,000. Also, \$30,000 has been appropriated for repairs to the DPW garage.
- An appropriation of \$27,000 is included in the Building Codes budget for the purchase of a new vehicle.
- Included in the budget for Planning/Economic Development is funding of \$125,000 for consulting services which includes an Opportunity Zone Study, updating the Comprehensive Plan and partnering with the County for a Main Street position.
- Contributions of \$35,000 are included to assist various agencies that have submitted funding requests.
- Funds of \$60,000 were budgeted in the Parking Fund for a parking garage study. It is expected that phase 2 of the Early Intervention Program will fund 90% of the cost.
- Included in the Sewer Fund budget is \$375,000 for the purchase of a new Jet-Vac truck.

Requests for Information

This financial report is designed to provide a general overview of the City of Warren's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Warren Finance Office, 318 West Third Avenue, Warren, PA 16365.

CITY OF WARREN, PENNSYLVANIA
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 4,602,703	\$ 6,201,113	\$ 10,803,816
Restricted cash	101,860	-	101,860
Receivable, net	170,816	473,096	643,912
Taxes receivable, net	409,936	-	409,936
Intergovernmental receivable, net	509,345	73,410	582,755
Prepaid items	414	-	414
Interfund receivable	434,950	(434,950)	-
Total Current Assets	<u>6,230,024</u>	<u>6,312,669</u>	<u>12,542,693</u>
Non-current Assets			
Capital assets:			
Assets not being depreciated	1,057,734	46,795	1,104,529
Assets being depreciated, net	28,010,021	34,910,837	62,920,858
Net pension asset	694,826	-	694,826
Total Non-current Assets	<u>29,762,581</u>	<u>34,957,632</u>	<u>64,720,213</u>
Total Assets	<u>\$ 35,992,605</u>	<u>\$ 41,270,301</u>	<u>\$ 77,262,906</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 345,105	\$ 119,142	\$ 464,247
Accrued liabilities	60,879	-	60,879
Intergovernmental payable	205,249	-	205,249
Interest payable	-	15,872	15,872
Other liabilities	255,006	-	255,006
Compensated absences	160,756	4,761	165,517
Capital leases payable	3,956	-	3,956
Notes payable	188,809	640,021	828,830
Total Current Liabilities	<u>1,219,760</u>	<u>779,796</u>	<u>1,999,556</u>
Non-Current Liabilities			
Compensated absences	262,286	7,768	270,054
Capital leases payable	11,398	-	11,398
Notes payable	1,029,325	18,405,993	19,435,318
OPEB obligation	69,026	-	69,026
Net pension liability	224,730	-	224,730
Total Non-Current Liabilities	<u>1,596,765</u>	<u>18,413,761</u>	<u>20,010,526</u>
Total Liabilities	<u>2,816,525</u>	<u>19,193,557</u>	<u>22,010,082</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	1,741,525	-	1,741,525
Unearned revenues-special assessments	209,184	-	209,184
Total Deferred Inflows	<u>1,950,709</u>	<u>-</u>	<u>1,950,709</u>
NET POSITION			
Net investment in capital assets	27,411,225	15,895,747	43,306,972
Restricted for:			
Liquid fuels	320,489	-	320,489
Streetscape project	37,012	-	37,012
Unrestricted	3,456,645	6,180,997	9,637,642
Total Net Position	<u>\$ 31,225,371</u>	<u>\$ 22,076,744</u>	<u>\$ 53,302,115</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2019

		Program Revenues		
		Operating Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs</u>	<u>Expenses</u>			
<u>Governmental Activities:</u>				
General government	\$ 1,270,088	\$ 189,339	\$ 800,593	\$ -
Public safety	4,390,157	363,936	369,666	-
Public works	2,125,049	373,631	579,334	18,271
Culture and recreation	752,719	175,826	-	-
Community development	733,792	-	-	-
Building code enforcement	376,691	245,748	-	-
Interest expense	63,240	-	-	-
Total Governmental Activities	9,711,736	1,348,480	1,749,593	18,271
<u>Business-Type Activities:</u>				
Sewer	2,083,763	2,525,141	-	-
Parking	471,578	521,435	-	-
Total Business-Type Activities	2,555,341	3,046,576	-	-
Total	\$ 12,267,077	\$ 4,395,056	\$ 1,749,593	\$ 18,271

The notes to the financial statements are an integral part of these statements.

Net (Expense)/Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (280,156)	\$ -	\$ (280,156)
(3,656,555)	-	(3,656,555)
(1,153,813)	-	(1,153,813)
(576,893)	-	(576,893)
(733,792)	-	(733,792)
(130,943)	-	(130,943)
(63,240)	-	(63,240)
(6,595,392)	-	(6,595,392)
-	441,378	441,378
-	49,857	49,857
-	491,235	491,235
(6,595,392)	491,235	(6,104,157)

General Revenues:

Taxes			
Property tax	2,258,961	-	2,258,961
Earned income tax	3,831,547	-	3,831,547
Local services tax	326,545	-	326,545
Realty transfer tax	80,878	-	80,878
Utility tax	5,923	-	5,923
Investment earnings	13,752	120,497	134,249
Transfers in/(out)	204,156	(204,156)	-
Gain/(Loss) on sale of fixed assets	(27,959)	8,739	(19,220)
Miscellaneous revenues	201,295	-	201,295
Total General Revenues	6,895,098	(74,920)	6,820,178
Change in Net Position	299,706	416,315	716,021
Net Position, Beginning of Year	30,925,665	21,660,429	52,586,094
Net Position, End of Year	\$ 31,225,371	\$ 22,076,744	\$ 53,302,115

CITY OF WARREN, PENNSYLVANIA

Balance Sheet Governmental Funds December 31, 2019

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,106,584	\$ 658,178	\$ 564,881	\$ 4,329,643
Restricted cash	101,860	-	-	101,860
Receivable, net	113,195	-	57,621	170,816
Taxes receivable, net	409,936	-	-	409,936
Intergovernmental receivable, net	5,255	500,000	4,090	509,345
Prepaid items	414	-	-	414
Interfund receivable	467,960	-	38,767	506,727
Total Assets	\$ 4,205,204	\$ 1,158,178	\$ 665,359	\$ 6,028,741
LIABILITIES				
Accounts payable	\$ 249,133	\$ -	\$ 95,848	\$ 344,981
Accrued liabilities	60,879	-	-	60,879
Interfund payable	-	-	4,090	4,090
Other liabilities	25,873	-	229,133	255,006
Total Liabilities	335,885	-	329,071	664,956
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	244,357	-	-	244,357
Unavailable revenue - special assessments	209,184	-	-	209,184
Total Deferred Inflows of Resources	453,541	-	-	453,541
FUND BALANCE				
Nonspendable:				
Prepaid items	414	-	-	414
Restricted:				
Liquid fuels	-	-	320,489	320,489
Streetscape project	37,012	-	-	37,012
Committed:				
Economic development funding	-	1,158,178	-	1,158,178
Glade floodway	-	-	15,799	15,799
Assigned:				
Community improvement projects	645,000	-	-	645,000
Equipment	196,622	-	-	196,622
Operations	550,039	-	-	550,039
Parking Fund	366,632	-	-	366,632
Unassigned	1,620,059	-	-	1,620,059
Total Fund Balance	3,415,778	1,158,178	336,288	4,910,244
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,205,204	\$ 1,158,178	\$ 665,359	\$ 6,028,741

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2019

Differences in amounts reported for governmental activities in the Statement of Net Position

Fund balances - governmental funds	\$ 4,910,244
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds	29,067,755
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	(1,741,525)
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds-Unavailable revenue-Property taxes	244,357
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements	(69,026)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Notes payable	\$ (1,218,134)
Capital leases payable	(15,354)
Net pension asset	694,826
Net pension liability	(224,730)
Compensated absences	(423,042)
	<u>(1,186,434)</u>
Net position of governmental activities	<u>\$ 31,225,371</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,504,917	\$ -	\$ -	\$ 6,504,917
Intergovernmental	819,406	624,000	333,326	1,776,732
Charges for services	545,356	-	-	545,356
Interest, rents and royalties	43,619	1,332	12,420	57,371
Licenses and permits	687,769	-	-	687,769
Fines and forfeits	50,887	-	-	50,887
Other	133,738	-	57,621	191,359
Total Revenues	<u>8,785,692</u>	<u>625,332</u>	<u>403,367</u>	<u>9,814,391</u>
EXPENDITURES				
General government	1,108,349	-	-	1,108,349
Public safety	4,213,377	-	-	4,213,377
Public works	2,085,455	-	-	2,085,455
Culture and recreation	633,779	-	-	633,779
Community development	95,183	635,128	1,223,378	1,953,689
Building code enforcement	368,607	-	-	368,607
Debt service	-	-	243,339	243,339
Total Expenditures	<u>8,504,750</u>	<u>635,128</u>	<u>1,466,717</u>	<u>10,606,595</u>
Excess of revenues over expenditures	<u>280,942</u>	<u>(9,796)</u>	<u>(1,063,350)</u>	<u>(792,204)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	521,379	-	1,398,325	1,919,704
Transfers out	<u>(1,386,276)</u>	<u>-</u>	<u>(329,272)</u>	<u>(1,715,548)</u>
Total Other Financing Sources (Uses)	<u>(864,897)</u>	<u>-</u>	<u>1,069,053</u>	<u>204,156</u>
Net Change in Fund Balance	(583,955)	(9,796)	5,703	(588,048)
Fund Balances, Beginning of Year	<u>3,999,733</u>	<u>1,167,974</u>	<u>330,585</u>	<u>5,498,292</u>
Fund Balances, End of Year	<u>\$ 3,415,778</u>	<u>\$ 1,158,178</u>	<u>\$ 336,288</u>	<u>\$ 4,910,244</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$ (588,048)
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Position	1,503,007
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal of assets) is to decrease net position	(27,959)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities	(911,388)
Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds-Unavailable revenue-Property taxes	(6,986)
Deferred outflows are not reflected in the fund statements as they are related to future pension obligations	(2,934,791)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current year these amounts are:	
Payments on notes payable	\$ 180,100
Payments on capital lease payable	38,959
Change in compensated absences	(17,788)
Change in net pension liability	2,988,466
Change in other post-employment benefits	76,134
	<u>3,265,871</u>
Change in net position of governmental activities	<u>\$ 299,706</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Net Position

Proprietary Funds

December 31, 2019

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 6,038,931	\$ 162,182	\$ 6,201,113	\$ 273,060
Receivable, net	455,549	17,547	473,096	-
Intergovernmental receivable, net	73,410	-	73,410	-
Total Current Assets	<u>6,567,890</u>	<u>179,729</u>	<u>6,747,619</u>	<u>273,060</u>
Non-Current Assets				
Capital Assets:				
Land	25,165	21,630	46,795	-
Assets being depreciated, net	<u>27,207,545</u>	<u>7,703,292</u>	<u>34,910,837</u>	<u>-</u>
Total Capital Assets, Net	<u>27,232,710</u>	<u>7,724,922</u>	<u>34,957,632</u>	<u>-</u>
Total Assets	<u>\$ 33,800,600</u>	<u>\$ 7,904,651</u>	<u>\$ 41,705,251</u>	<u>\$ 273,060</u>
LIABILITIES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts payable	\$ 116,304	\$ 2,838	\$ 119,142	\$ 124
Interest payable	15,872	-	15,872	-
Intergovernmental payable	-	-	-	205,249
Interfund payable	135,481	299,469	434,950	67,687
Compensated absences	4,761	-	4,761	-
Note payable	<u>640,021</u>	<u>-</u>	<u>640,021</u>	<u>-</u>
Total Current Liabilities	<u>912,439</u>	<u>302,307</u>	<u>1,214,746</u>	<u>273,060</u>
Non-Current Liabilities				
Compensated absences	7,768	-	7,768	-
Note payable	<u>18,405,993</u>	<u>-</u>	<u>18,405,993</u>	<u>-</u>
Total Non-Current Liabilities	<u>18,413,761</u>	<u>-</u>	<u>18,413,761</u>	<u>-</u>
Total Liabilities	<u>19,326,200</u>	<u>302,307</u>	<u>19,628,507</u>	<u>273,060</u>
NET POSITION				
Net investment in capital assets	8,170,824	7,724,922	15,895,746	-
Unrestricted	<u>6,303,576</u>	<u>(122,578)</u>	<u>6,180,998</u>	<u>-</u>
Total Net Position	<u>14,474,400</u>	<u>7,602,344</u>	<u>22,076,744</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 33,800,600</u>	<u>\$ 7,904,651</u>	<u>\$ 41,705,251</u>	<u>\$ 273,060</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,525,141	\$ 521,435	\$ 3,046,576	\$ 27,839
Total Operating Revenues	2,525,141	521,435	3,046,576	27,839
Operating Expenses				
Salaries and wages	384,410	71,964	456,374	15,926
Employee benefits	142,374	28,630	171,004	11,172
Supplies	171,054	8,767	179,821	194
Sludge removal	169,591	-	169,591	-
Utilities	168,696	23,984	192,680	236
Other	206,369	74,244	280,613	311
Depreciation	647,627	263,366	910,993	-
Total Operating Expenses	1,890,121	470,955	2,361,076	27,839
Operating Income (Loss)	635,020	50,480	685,500	-
Non-Operating Revenues (Expenses)				
Investment earnings	119,436	1,061	120,497	-
Interest expense	(193,642)	(623)	(194,265)	-
Gain/(Loss) on sale of asset	8,739	-	8,739	-
Transfers out	(66,410)	(137,746)	(204,156)	-
Total Non-Operating Revenue (Expenses)	(131,877)	(137,308)	(269,185)	-
Change in Net Position	503,143	(86,828)	416,315	-
Net Position, Beginning of Year	13,971,257	7,689,172	21,660,429	-
Net Position, End of Year	\$ 14,474,400	\$ 7,602,344	\$ 22,076,744	\$ -

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2019

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,564,266	\$ 509,640	\$ 3,073,906	\$ 27,875
Cash payments to suppliers for goods and services	(458,126)	(34,901)	(493,027)	(372)
Cash payments to employees for services	(468,403)	(159,704)	(628,107)	118,028
Cash payments for other operating expenses	(195,108)	(74,244)	(269,352)	(311)
Net cash provided by (used by) operating activities	<u>1,442,629</u>	<u>240,791</u>	<u>1,683,420</u>	<u>145,220</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(66,410)	(137,746)	(204,156)	-
Net cash used by noncapital and related activities	<u>(66,410)</u>	<u>(137,746)</u>	<u>(204,156)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(378,751)	-	(378,751)	-
Gain/(loss) on disposal of assets	8,739	-	8,739	-
Principal payments on note/lease	(645,665)	(46,420)	(692,085)	-
Interest paid on debt	(193,642)	(623)	(194,265)	-
Net cash used by capital and related financing activities	<u>(1,209,319)</u>	<u>(47,043)</u>	<u>(1,256,362)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	119,436	1,061	120,497	-
Net cash provided by investing activities	<u>119,436</u>	<u>1,061</u>	<u>120,497</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	286,336	57,063	343,399	145,220
Cash and cash equivalents, January 1, 2019	<u>5,752,594</u>	<u>105,119</u>	<u>5,857,713</u>	<u>127,840</u>
Cash and cash equivalents, December 31, 2019	<u>\$ 6,038,930</u>	<u>\$ 162,182</u>	<u>\$ 6,201,112</u>	<u>\$ 273,060</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ 635,020	\$ 50,480	\$ 685,500	\$ -
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	647,627	263,366	910,993	-
Loss of disposal	11,261	-	11,261	-
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivable	78,348	(11,795)	66,553	36
(Increase) decrease in intergovernmental receivable	(39,223)	-	(39,223)	-
Increase (decrease) in accounts payable	51,743	(2,150)	49,593	58
Increase (decrease) in compensated absences	(902)	-	(902)	-
Increase (decrease) in intergovernmental payable	-	-	-	113,432
Increase (decrease) in interest payable	(528)	-	(528)	-
Increase (decrease) in interfund payable	59,283	(59,110)	173	31,694
Net cash provided by (used by) operating activities	<u>\$ 1,442,629</u>	<u>\$ 240,791</u>	<u>\$ 1,683,420</u>	<u>\$ 145,220</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Fiduciary Net Position

Pension Trusts

December 31, 2019

ASSETS

Cash and cash equivalents	\$ 81,870
Investments	19,712,796
Accounts receivable	<u>5,010</u>
Total Assets	<u><u>\$ 19,799,676</u></u>

LIABILITIES

Accounts payable	<u>\$ 5,055</u>
Total Liabilities	<u>5,055</u>

NET POSITION

Net position held in trust for pension benefits	<u>19,794,621</u>
Total Net Position	<u>19,794,621</u>
Total Liabilities and Net Position	<u><u>\$ 19,799,676</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2019

Additions:	
Contributions	
Employer	\$ 673,271
Plan members	<u>101,529</u>
Total	774,800
Investment income (loss), net	<u>3,460,253</u>
Total Additions	<u>4,235,053</u>
Deductions:	
Benefits	961,292
Management expense	<u>45,844</u>
Total Deductions	<u>1,007,136</u>
Change in Net Position	3,227,917
Net Position, Beginning of Year	<u>16,566,704</u>
Net Position, End of Year	<u><u>\$ 19,794,621</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Notes to Financial Statements
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Warren, Pennsylvania was incorporated in 1832, operating as a borough under the Borough code until December 31, 1977, when it changed to a Home Rule Municipality under the Home Rule Charter and Optional Plans Law, Pennsylvania Act 62 of 1972. On January 2, 1989, the Borough changed its name to the City of Warren. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety – Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture/Recreation, Public Improvements, Planning and Zoning, Code Enforcement, and General Administrative Services.

The City's financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity primarily include the degree of oversight responsibility maintained by the City Council. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The City established the Redevelopment Authority of the City of Warren, whose purpose is to acquire and dispose of blighted properties within the City. Financial data for the Redevelopment Authority of the City of Warren is not included as a component unit in these financial statements because inclusion is immaterial to the City's basic financial statements. The Redevelopment Authority of the City of Warren has issued separate financial statements for 2019.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Warren Redevelopment Assistance Loan fund is used to provide funding for start-up businesses and non-profit organizations created to improve the City of Warren.

The Capital Improvement Program fund accounts for governmental fund-type capital projects of the City.

The Community Development Block Grant fund accounts for federally funded programs of the City.

The Highway Aid fund accounts for monies received from the state and used for street and road projects.

The Glade Run Escrow fund accounts for funds held for the maintenance of Glade Run under an agreement with Department of Environmental Protection.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following proprietary funds:

The Sewer Revenue fund accounts for activities of the City's sewage system. The City operates the sewage treatment plant and sewage pumping stations and collections systems.

The Parking Revenue fund accounts for the activities of the City's parking operations.

Additionally, the City reports the following fund types:

The Internal Service fund accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis.

The Fiduciary funds account for the activities of the City's pension funds, which accumulates resources for pension benefit payments to qualified employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

The City follows these procedures in establishing the budget:

1. In accordance with the City's Home Rule Charter, on or before 45 days prior to December 31, the City Manager submits a proposed budget and an accompanying message to the City Council for the ensuing year. The message explains the budget both in fiscal terms and in terms of programs, policies, activities, and plans. The budget document provides a financial plan of the general fund, the capital improvement fund, the sewer revenue fund, and the parking revenue fund for the upcoming year and is balanced in that the total of proposed expenditures does not exceed total estimated revenues. The budget is in such form as the City Manager deems desirable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, the capital improvement fund, and the enterprise funds.
5. Adoption of the budget constitutes the appropriation of the amounts specified in the general fund as expenditures.
6. Appropriations may be transferred within departments at any time during the year by the City Manager. City Council may, by resolution, transfer appropriations between departments. Appropriations may not be reduced below any amounts required by law or by more than the amount of unappropriated balance remaining.
7. Appropriations lapse at the end of each fiscal year unless encumbered.
8. City Council may authorize supplemental appropriations during the year.

The City does not provide a budget for its major special revenue fund, the Warren Redevelopment Assistance Loan fund, as the fund's revenues and expenditures relate only to the fund's loan activity.

Excess of expenditures over appropriations

The budget for the parking revenue fund disclosed an excess of expenditures over appropriations of \$38,330 mainly due to depreciation expense not being budgeted for by the City and higher than anticipated charges for services. The amounts over expended were funded by prior year's accumulated net position.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents and investments

The government's cash and cash equivalents as used in the statement of cash flows are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. The investments of the Fiduciary Funds are administered by trustees and are held separately from those of other City funds.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of one year), but only those infrastructure projects that cost more than \$10,000 are reported as capital assets.

Capital assets in governmental activities acquired prior to December 31, 2002 are valued at acquisition costs provided by an industrial appraiser. Governmental capital assets purchased after December 31, 2002 are valued at cost. Governmental infrastructure assets acquired after December 31, 2003 are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Computers and software	5
Machinery and equipment	8-15
Vehicles	8
Improvements	15-20
Buildings	20-40
Infrastructure	50

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of deferred inflows, which arise under a modified accrual basis of accounting and full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and statement of net position. The governmental funds report unavailable revenues from two sources: property taxes, which is currently shown in the fund statements, and special assessments, which is shown in both the fund statements and government-wide statements. The other deferred inflow of the City of Warren is related to actuarially determined changes in the net pension liability recognized over future periods (see note 7 for further information.) These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the director of finance to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The property tax is levied each June on the assessed valuation of property located in the City as of the preceding June. Assessed values are established annually by Warren County and are equalized by the State at an estimated 50% of current market value. Assessed valuation of taxable real estate amounted to \$113,007,022 at a tax rate of 19.8 mills. Taxes are paid at discount to September 30th and at par to November 30th. Taxes paid after November 30th are assessed a 10% penalty.

Unpaid property taxes are returned to the County Treasurer by the City on the last Monday in April. The property is levied at that time. Delinquent notices are sent in July. Taxpayers have until the following June to pay the balance. If unpaid by July 1, property is advertised for sale. The property is then posted in August and sold on the second Monday of September.

3. Compensated absences and accumulated unpaid employee benefits

Unionized and nonunionized City employees generally earn sick leave at rates set forth in the respective union contracts. Sick leave accumulates on a monthly basis and is fully vested when earned. Accumulation policies vary depending on the contract.

4. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts.

5. Credit risk

During the course of operations, the City grants credit to its customers, substantially all of whom are located in the City's area.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Proprietary funds operating and nonoperating revenues and expenses.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund, parking fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. Pronouncements Implemented

The City has adopted GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for the year ended December 31, 2019. The objective of this statement is to help users have better information to understand the effects of debt on a government's future resource flows.

The City has adopted GASB 90, *Majority Equity Interests* for the year ended December 31, 2019. The objective of this statement is to improve financial reporting by providing users of financial statements with essential information related to the presentation of majority equity interests in legally separate organizations.

J. Future Pronouncements

The City will adopt GASB 87, *Leases* for the year ended December 31, 2020. The objective of this statement is to improve accounting and financial reporting for leases.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT

Primary Government:

Deposits

At December 31, 2019, the City's deposits, excluding the pension trust funds, are as follows:

	<u>Bank</u>	<u>Book</u>
Governmental Activities:		
Cash and cash equivalents	\$ 4,845,047	\$ 4,704,563
Business-Type Activities:		
Cash and cash equivalents	<u>6,196,270</u>	<u>6,201,113</u>
	<u>\$ 11,041,317</u>	<u>\$ 10,905,676</u>

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT
(CONTINUED)

Included in the governmental activities and business-type activities, unrestricted cash is the City's investment in PLGIT external investment pools, with total deposit of \$7,598,122 as of December 31, 2019. The City's investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximate market. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth. The City can withdraw funds from the investment pools without limitation or fees.

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2019, \$544,818 of the City's \$11,041,317 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$10,496,499 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$10,905,676 as of December 31, 2019.

NOTE 3 – RECEIVABLES

Receivables as of December 31, 2019 for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Sewer Fund	Parking Fund	Warren Redevelopment Assistance Loan Fund	Community Development Block Grant	Capital Improvement Program	Total
Taxes	\$ 409,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,936
Intergovernmental	5,255	73,410	-	500,000	4,090	-	582,755
Other	152,456	623,881	17,547	-	-	57,621	851,505
Gross Receivables	567,647	697,291	17,547	500,000	4,090	57,621	1,844,196
Less: Allowance for Uncollectable	(39,261)	(168,332)	-	-	-	-	(207,593)
Net Receivables	<u>\$ 528,386</u>	<u>\$ 528,959</u>	<u>\$ 17,547</u>	<u>\$ 500,000</u>	<u>\$ 4,090</u>	<u>\$ 57,621</u>	<u>\$ 1,636,603</u>

Reconciliation to Government-wide Statement of Net Position

Receivable	\$ 851,505
Allowance for uncollectible accounts	<u>(207,593)</u>
Receivable, net	<u>\$ 643,912</u>

NOTE 3 – RECEIVABLES (CONTINUED)

The receivable in the Warren Redevelopment Assistance Loan Fund is related to West of Liberty Apartments and is not expected to be received within a one-year period.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2019
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 609,956	\$ -	\$ -	\$ 609,956
Construction in progress	184,243	112,818	(53,128)	243,933
Redevelopment properties	203,845	-	-	203,845
Total Capital Assets not Depreciated	<u>\$ 998,044</u>	<u>\$ 112,818</u>	<u>\$ (53,128)</u>	<u>\$ 1,057,734</u>
Capital Assets Depreciated:				
Infrastructure	\$ 26,087,775	\$ 680,555	\$ -	\$ 26,768,330
Buildings	5,485,561	91,809	-	5,577,370
Improvements other than buildings	3,005,044	63,000	-	3,068,044
Machinery and equipment, computers and software	2,385,064	380,900	(284,139)	2,481,825
Vehicles	2,106,573	227,053	(20,530)	2,313,096
Furnitures and fixtures	130,720	-	(2,708)	128,012
Total Assets Depreciated	<u>39,200,737</u>	<u>1,443,317</u>	<u>(307,377)</u>	<u>40,336,677</u>
Less Accumulated Depreciation:				
Infrastructure	(3,852,865)	(418,629)	-	(4,271,494)
Buildings	(2,986,905)	(116,691)	-	(3,103,596)
Improvements other than buildings	(1,602,812)	(99,287)	-	(1,702,099)
Machinery and equipment, computers and software	(1,238,955)	(153,857)	258,362	(1,134,450)
Vehicles	(1,526,480)	(120,521)	18,477	(1,628,524)
Furnitures and fixtures	(486,669)	(2,403)	2,579	(486,493)
Total Accumulated Depreciation	<u>(11,694,686)</u>	<u>(911,388)</u>	<u>279,418</u>	<u>(12,326,656)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 27,506,051</u>	<u>\$ 531,929</u>	<u>\$ (27,959)</u>	<u>\$ 28,010,021</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2019	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2019
Business-Type Activities				
Capital Assets not Depreciated:				
Land	\$ 46,795	\$ -	\$ -	\$ 46,795
Construction in progress	27,710	-	(27,710)	-
Total Capital Assets not Depreciated	<u>\$ 74,505</u>	<u>\$ -</u>	<u>\$ (27,710)</u>	<u>\$ 46,795</u>
Capital Assets Depreciated:				
Buildings and improvements	\$ 5,770	\$ -	\$ -	\$ 5,770
Sewer treatment plant	26,155,219	-	-	26,155,219
Sewer machinery and equipment	556,752	187,585	(138,013)	606,324
Sewer collection system	2,917,085	157,956	-	3,075,041
Vehicles	498,635	60,920	(17,357)	542,198
Furniture and fixtures	342	-	-	342
Parking garage	9,570,275	-	-	9,570,275
Parking lots and parking equipment	1,142,532	-	(19,176)	1,123,356
Total Assets Depreciated	<u>40,846,610</u>	<u>406,461</u>	<u>(174,546)</u>	<u>41,078,525</u>
Less Accumulated Depreciation:				
Buildings and improvements	(645)	(289)	-	(934)
Sewer treatment plant	(1,055,787)	(525,288)	-	(1,581,075)
Sewer machinery and equipment	(258,556)	(46,431)	128,488	(176,499)
Sewer collection system	(984,699)	(48,905)	-	(1,033,604)
Vehicles	(375,600)	(26,692)	17,357	(384,935)
Furniture and fixtures	(280)	(22)	-	(302)
Parking garage	(2,502,890)	(192,565)	-	(2,695,455)
Parking lots and parking equipment	(243,259)	(70,801)	19,176	(294,884)
Total Accumulated Depreciation	<u>(5,421,716)</u>	<u>(910,993)</u>	<u>165,021</u>	<u>(6,167,688)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 35,424,894</u>	<u>\$ (504,532)</u>	<u>\$ (9,525)</u>	<u>\$ 34,910,837</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 464,808
Public safety	209,619
Public works	154,936
Culture and recreation	72,911
Community development	4,557
Building code enforcement	<u>4,557</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 911,388</u></u>

Business-Type Activities:

Depreciation	
Sewer fund	\$ 647,627
Parking fund	<u>263,366</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 910,993</u></u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

Due To	Due From	Amount
General	Sewer	\$ 135,481
General	Parking	299,469
General	Tax Agency	67,687
General	Capital Improvement Program	(38,767)
General	CDBG	<u>4,090</u>
		<u><u>\$ 467,960</u></u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Reconciliation of interfund balances between governmental activities and business-type activities were as follows:

Total interfund balances above	\$ 467,960
Less: interfund balances between governmental funds	<u>(33,010)</u>
Total interfund balances between governmental activities and business-type activities	<u>\$ 434,950</u>

Interfund balances represent amounts owed to general fund for short-term payments made out of the general fund for operating expenses.

Transfers for the year ended December 31, 2019 were as follows:

Transfer From	Transfer To	Amount
General Fund	Glade Run Escrow Fund	\$ 7,500
General Fund	Capital Improvement Program Fund	1,147,486
General Fund	Debt Service Fund	243,339
Parking Fund	General Fund	137,746
Sewer Fund	General Fund	66,410
Highway Aid Fund	General Fund	326,022
Glade Run Escrow Fund	General Fund	3,250
Residual Transfers	General Fund	<u>(12,049)</u>
		<u>\$ 1,919,704</u>

Reconciliation of transfers between governmental activities and business-type activities were as follows:

Governmental activities	\$ 1,715,548
Business-Type activities	<u>204,156</u>
Total	<u>\$ 1,919,704</u>

Transfers are made to account for capital items purchased through the capital improvement fund and to fund operating expenses out of the general fund.

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Debt

Streetscape Project – A note in the amount of \$1,500,000 was obtained to provide financing for the City’s Streetscape project and associated costs. The note is payable to a bank in quarterly installments of \$35,097, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Parking Garage – The City obtained a note in the amount of \$1,100,000 for repair work on the Clark Street parking garage and other capital projects. The note is payable to a bank in quarterly installments of \$25,738, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Sewer Treatment Plant Upgrade – A note in the amount of \$21,491,723 was obtained to pay for costs of the sewer treatment plant upgrade. The note is payable to Pennvest in monthly installments of \$69,126, including interest at 1%, maturing in 2044. The note is secured by full faith, credit, and taxing power of the City. Payments begin at the earlier of three months after the estimated date of completion, the first day of the calendar month following completion of the project, or three years from the date of settlement. Interest expense for the year was \$193,642. The outstanding amount of the note as of December 31, 2019 is \$19,046,014.

As of year ended December 31, 2019, there have been no significant events of default with finance-related consequences nor any termination events or subjective acceleration clauses.

Debt Service Requirements

Year Ending	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 188,809	\$ 54,531	\$ 640,021	\$ 187,535	\$ 828,830	\$ 242,066
2021	197,938	45,401	646,451	181,102	844,389	226,503
2022	207,510	35,830	652,945	174,608	860,455	210,438
2023	218,543	24,797	659,504	168,049	878,047	192,846
2024	227,062	16,278	666,130	161,423	893,192	177,701
2025-2029	178,272	4,250	3,432,383	705,383	3,610,655	709,633
2030-2034	-	-	3,608,290	529,476	3,608,290	529,476
2035-2039	-	-	3,793,211	344,555	3,793,211	344,555
2040-2044	-	-	3,987,610	150,156	3,987,610	150,156
2045-2046	-	-	959,469	6,007	959,469	6,007
	<u>\$1,218,134</u>	<u>\$ 181,087</u>	<u>\$ 19,046,014</u>	<u>\$2,608,294</u>	<u>\$20,264,148</u>	<u>\$2,789,381</u>

On December 23, 2013, the City of Warren entered into an agreement with Erie Bank to obtain a revolving line of credit not to exceed \$2.5 million dollars in order to assist with the short-term financing for the construction of a new waste water treatment plant. The line of credit matures on December 22, 2018 and has a fixed interest rate of 2.79%. As of December 31, 2019, the line of credit was not extended and the account was closed.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The City entered into lease agreements to finance the acquisition of office equipment. The leases are recorded at the present value of the future minimum lease payments as of the date of their purchase. The assets acquired under capital leases are recorded at \$20,377, accumulated depreciation of \$14,831, and are included with capital assets in the statement of net position.

Following is a schedule of the future minimum lease payments required under these capital leases, and the present value of the net minimum lease payments at December 31, 2019. Capital lease amortization is included in depreciation expense.

<u>Asset Class</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 20,377
Less accumulated depreciation	<u>(14,831)</u>
Total	<u><u>\$ 5,546</u></u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2019 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2020	\$ 4,634
2021	4,634
2022	4,634
2023	<u>2,893</u>
Total minimum lease payments	16,795
Less amount representing interest	<u>(1,441)</u>
Present value of minimum lease payments	<u><u>\$ 15,354</u></u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2019 was as follows:

	January 1, 2019	Additions	Reductions	December 31, 2019	Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,398,234	\$ -	\$ (180,100)	\$ 1,218,134	\$ 188,809
Capital leases	54,313	-	(38,959)	15,354	3,956
Compensated absences	405,254	483,902	(466,114)	423,042	160,756
Other postemployment benefits	145,160	23,659	(99,793)	69,026	-
	<u>\$ 2,002,961</u>	<u>\$ 507,561</u>	<u>\$ (784,966)</u>	<u>\$ 1,725,556</u>	<u>\$ 353,521</u>
Business-Type activities:					
Sewer fund upgrade note	\$ 19,679,669	\$ -	\$ (633,655)	\$ 19,046,014	\$ 640,021
Capital leases	58,430	-	(58,430)	-	-
Compensated absences	13,431	8,992	(9,894)	12,529	4,761
	<u>\$ 19,751,530</u>	<u>\$ 8,992</u>	<u>\$ (701,979)</u>	<u>\$ 19,058,543</u>	<u>\$ 644,782</u>

The liability for compensated absences is normally liquidated by the general or sewer funds.

NOTE 7 – RETIREMENT PLANS

The City administers three single-employer defined benefit pension plans: Municipal employees, Police and Firefighters. The Plans were established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Pennsylvania legislature. A separate report is not issued for each Plan. Each Plan is accounted for as a separate pension trust fund on the accrual basis and is governed by City Council. Assets are held separately and may be used only for the payment of benefits to members of the respective Plans.

Municipal Employees

The City of Warren Municipal Employee Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 845, effective August 15, 1966. The Plan was amended and restated by Ordinance No. 1880, effective October 17, 2016. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Benefit Provisions

Eligibility Requirements

Normal Retirement:	<p>For those hired on or before January 1, 2018: Age 62 and 10 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Age 60 and 20 years of service.</p>
Early Retirement:	<p>For those hired on or before January 1, 2018: Age 57 and 12 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>
Vesting:	<p>For those hired on or before January 1, 2018: 50% after 5 years of service, increasing by 10% for each additional year, up to a maximum of 100% after the completion of 10 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: 100% after 20 years of service.</p>
Retirement Benefit:	<p>For those hired on or before January 1, 2018: A monthly benefit equal to 1.2% of Final Average Monthly Salary (base pay averaged over the final 60 months of employment), plus 1.0% of Final Average Monthly Salary in excess of \$550 multiplied by years of service.</p>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit (Cont.):	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: A monthly benefit equal to 50% of Average Compensation (base pay averaged over the highest 5-year period, or rate of monthly pay at retirement, whichever is higher). Such benefit shall be offset by 40% of a Participant's full Social Security old-age insurance benefit.
Death Benefit	
Before 10 Years of service:	For those hired on or before January 1, 2018: Refund of contributions if any, plus interest.
After 10 Years of service but before retirement:	For those hired on or before January 1, 2018: The participant's spouse will receive 50% of the participant's Accrued Benefit, payable for life or until remarriage.
Before Retirement:	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Refund of contributions.
After Retirement:	<p>For those hired on or before January 1, 2018: The Normal Form of Benefit is a life annuity. At retirement, the participant may select an optional form of benefit payment that is an actuarial equivalent of the Normal Form.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None except that total benefits paid to the participant are less than the refund of contributions, the excess balance is payable.</p>
Disability Benefit	
Service Related:	For those hired on or before January 1, 2018: In the event of total and permanent disablement, the accrued benefit at date of disablement is payable 5 months after disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Service Related (Cont.):	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: In the event of total and permanent disablement after completing at least 10 years of service, of service before age 60, normal retirement without offset for social security, payable for life starting the first of the month following retirement.
Non-Service Related:	Same.
DROP Benefit:	None.
Vesting Benefit:	<p>For those hired on or before January 1, 2018: If eligible, the Accrued Benefit at date of termination, multiplied by the vested percentage is payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: The Normal Retirement Benefit above payable at Normal Retirement conditioned upon the participant continuing to make contributions to the pension plan until Normal Retirement Age.</p>
Late Retirement:	<p>For those hired on or before January 1, 2018: The Benefit is the greater of the Normal Retirement Benefit actuarially increased to Late Retirement date, or the accrued benefit at actual Late Retirement date.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: the accrued benefit at actual Late Retirement date.</p>
Early Retirement	
Amount of Benefit:	<p>For those hired on or before January 1, 2018: Normal Retirement benefit based on Years of Continuous Service at date of actual retirement payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Reduction for Early Commencement: For those hired on or before January 1, 2018: Benefit may be elected immediately, but will be reduced by 6.7% for each year by which commencement of benefits precedes Normal Retirement Date.

Deposits

At December 31, 2019, the Plan held \$31,314 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,202,663	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$4,192,888	\$ -	\$ -
Fixed Income Mutual Funds	-	2,202,663	-
	<u>\$4,192,888</u>	<u>\$ 2,202,663</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2019.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5% limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>N/A</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Debt Securities-Fixed Income Funds	\$ 2,202,663	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,102,590</u>	<u>\$ 1,100,073</u>	<u>\$ -</u>
Equity Mutual Funds	<u>4,192,888</u>					
Total	<u>\$ 6,395,551</u>					

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees hired on or before January 1, 2018 are required to contribute 2.0% of covered payroll to the Plan. Employees hired after January 1, 2018 are required to contribute 3.5% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The components of the net pension liability at December 31, 2019 are as follows:

Total pension liability	\$ (6,352,664)
Plan fiduciary net position	<u>6,425,877</u>
Net pension asset	<u>\$ 73,213</u>

Plan fiduciary net position as a percentage of the total pension liability: 101.2%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation: 2.75%

Salary increases: 4.75% including inflation

Mortality: RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.

Expected Long-Term
Rate of Return: 7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2019 are summarized in the following table:

NOTE 7 – RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>Long-Term Expected Real ROR</u>
Equities	5.0 % – 7.0 %
Fixed Income	1.0 % – 3.0 %
Cash and Equivalents	0.0 % – 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability	<u>\$ 613,836</u>	<u>\$ (73,213)</u>	<u>\$ (654,667)</u>

Payable to the Pension Plan

At December 31, 2019, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time municipal employees of the City. As of December 31, 2019, pension Plan membership consists of:

Active employees	28
Retirees and beneficiaries currently receiving benefits	31
Terminated employees entitled to benefits but not yet receiving them	<u>5</u>
Total	<u>64</u>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/18	\$ 6,335,217	\$ 5,461,886	\$ 873,331
Changes for the Year:			
Service cost	162,677	-	162,677
Interest	442,345	-	442,345
Differences between expected and actual experience	(212,170)	-	(212,170)
Change of assumptions	-	-	-
Contributions - employer	-	193,712	(193,712)
Contributions - employee	-	26,515	(26,515)
Net investment income	-	1,135,471	(1,135,471)
Benefit payments and refunds of employee contributions	(375,405)	(375,405)	-
Administrative expense	-	(16,302)	16,302
Net changes	<u>17,447</u>	<u>963,991</u>	<u>(946,544)</u>
Balances at 12/31/2019	<u>\$ 6,352,664</u>	<u>\$ 6,425,877</u>	<u>\$ (73,213)</u>

Police Pension

The City of Warren Police Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 376, effective May 7, 1945. The Plan was amended and restated by Ordinance No. 1669, effective January 1, 2002. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-201C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

Benefit Provisions

Eligibility Requirements:

Normal Retirement: Completion of 20 years of service.

Vesting: 100% after 12 years of service.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit	A monthly benefit equal to 50% of Final Average Monthly Compensation (compensation averaged over the final 36 months of employment), plus Extra Service benefit of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum increase of \$500. Service completed after age 65 is not counted.
Death Benefit	
Before Retirement Eligibility:	Refund of contributions plus interest.
After Retirement Eligibility:	The surviving spouse will receive 100% of the amount the participant was receiving or entitled to receive payable for life or until remarriage. In the event of the spouse's death or remarriage, the participant's children under age 18 will share the benefit, or until age 21 if a full-time student.
Disability Benefit	
Service Related:	For total and permanent disablement, a monthly benefit equal to 50% of compensation averaged over the final 36 months prior to disablement will be payable commencing the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	None.
DROP Benefit:	None.
Cost-of Living Adjustment:	Normal retirees will receive a 2.0% per year increase in their benefit. Total increases may not exceed 70% of the contractual pay rate of a fourth-year officer/First Class Patrolman at the time of retirement. Disabled retirees will receive annual increases based on the Consumer Price Index up to a maximum of 30% of the original benefit.
Vesting Benefit:	A benefit at Normal Retirement date equal to 50% of Final Average Monthly Compensation in the 36 months preceding termination multiplied by the ratio of actual service to 20 years. Benefit is paid in lieu of the return of member contributions.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Deposits

At December 31, 2019, the Plan held \$46,883 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,982,735	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$ 5,741,503	\$ -	\$ -
Fixed Income Mutual Funds	-	2,982,735	-
	<u>\$ 5,741,503</u>	<u>\$ 2,982,735</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2019.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5% limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>N/A</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>	
Debt Securities-Fixed Income Funds	\$2,982,735	<u>\$ -</u>	<u>\$1,493,169</u>	<u>\$1,489,566</u>	<u>\$ -</u>	<u>\$ -</u>
Equity Mutual Funds	<u>5,741,503</u>					
Total	<u>\$8,724,238</u>					

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Contributions are currently reduced to 2.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

Net Pension Liability

The components of the net pension liability (asset) at December 31, 2019 are as follows:

Total pension liability*	\$ (8,146,516)
Plan fiduciary net position	<u>8,768,129</u>
Net pension (liability) asset	<u>\$ 621,613</u>

Plan fiduciary net position as a percentage of the total pension liability: 107.6%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions:

Inflation:	2.75%
Salary increases:	4.75% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on Long-Range Demographic Assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability(asset):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 276,720	\$ (621,613)	\$ (1,370,913)

Payable to the Pension Plan

At December 31, 2019, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time policemen of the City. As of December 31, 2019, pension Plan membership consists of:

Active employees	15
Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	0
Total	39

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/18	\$ 8,063,251	\$ 7,568,938	\$ 494,313
Changes for the Year:			
Service cost	189,934	-	189,934
Interest	569,999	-	569,999
Differences between expected and actual experience	(115,414)	-	(115,414)
Changes of assumptions	-	-	-
Contributions - employer	-	192,439	(192,439)
Contributions - employee	-	19,988	(19,988)
Net investment income	-	1,566,206	(1,566,206)
Benefit payments and refunds of employee contributions	(561,254)	(561,254)	-
Administrative expense	-	(18,188)	18,188
Net changes	83,265	1,199,191	(1,115,926)
Balances at 12/31/2019	\$ 8,146,516	\$ 8,768,129	\$ (621,613)

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Firefighter Pension

The City of Warren Firefighters Pension Plan is a single-employer defined benefit pension Plan. The Plan was established September 1, 1974 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated by Ordinance No. 1668, effective January 1, 2010. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Brighthouse Life Insurance Company and Vanguard. The Plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

Benefit Provisions

Pension Plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: Age 55 and 20 years of service, as of January 1, 2020: Age 50 and 20 years of service.

Early Retirement: None.

Vesting: 100% after 12 years of service.

Retirement Benefit: A monthly benefit equal to 50% of Final Average Monthly Compensation, base pay plus longevity averaged over the highest 5 years or the final monthly rate of pay, whichever is higher, plus a service increment of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum of \$250. For new hires after January 1, 2020, the maximum service increment is \$100. Service completed after age 65 is not counted.

Death Benefit

Before Retirement Eligibility: A monthly benefit equal to 50% of Vested Accrued Benefit at date of death is payable to the participant's spouse immediately until death.

After Retirement Eligibility
or in-Service death:

A monthly benefit equal to 100% of the benefit the participant was receiving or was entitled to receive payable to the survivor for life. For those participants who die while in active service, the benefit is deferred until the participant's normal retirement date.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Disability Benefit

Service Related: Upon total and permanent disablement as determined by a qualified physician, participant will receive a monthly benefit equal to 50% of compensation averaged over the final 60 months prior to disablement. Benefit commences the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

Non-Service Related: Hired on or after 1/1/2010, there is a 10-year service requirement. Monthly benefit is 30%.

DROP Benefit None.

Other Benefits

Vesting Benefit Prospective Normal Retirement Benefit is multiplied by the ratio of service to date divided by projected service to Normal Retirement payable at Normal Retirement Date.

Member Contributions

Amount or Rate: 5.0% of wages + \$2.50 per month for service increment (For those hired after January 1, 2020, \$1 per month for service increment).

Interest Rate Credited to Member Contributions: 0.0%

Deposits

At December 31, 2019, the Plan held \$3,673 in deposits.

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. At December 31, 2019, the credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Mutual Funds	\$1,134,597	Not Rated
Annuity Contract	\$308,322	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money Market Funds	\$ 3,150,088	\$ -	\$ -
Fixed Income Mutual Funds	-	1,134,597	-
Annuity Contract	-	-	308,322
	<u>\$ 3,150,088</u>	<u>\$ 1,134,597</u>	<u>\$ 308,322</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2019.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2019, all Plan assets were held by Brighthouse Life Insurance Company or Vanguard.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Mutual Funds	\$ 1,134,597	\$ -	\$ 567,807	\$ 566,790	\$ -
Annuity Contracts	308,322				
Money Market Funds	3,150,088				
	<u>\$ 4,593,007</u>				

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll + \$2.50 per month for service increment to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

The components of the net pension liability at December 31, 2019 are as follows:

Total pension liability*	\$ (4,825,391)
Plan fiduciary net position	<u>4,600,661</u>
Net pension liability	<u>\$ (224,730)</u>

Plan fiduciary net position as a percentage of the total pension liability: 95.3%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation:	2.75%
Salary increases:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	6.75 % applied to all periods

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Expected Long-Term Rate of Return (Continued):

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability (asset)	<u>\$ 903,459</u>	<u>\$ 224,730</u>	<u>\$ (326,793)</u>

Payable to the Pension Plan

At December 31, 2019, the City did not owe anything to the Plan.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Plan Membership

The Plan provides pensions for full-time firefighters of the City. As of December 31, 2019, pension Plan membership consists of:

Active employees	21
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>23</u></u>

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/18	<u>\$ 4,684,512</u>	<u>\$ 3,533,786</u>	<u>\$ 1,150,726</u>
Changes for the Year:			
Service cost	220,114	-	220,114
Interest	305,806	-	305,806
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	(363,639)	-	(363,639)
Changes of assumptions	-	-	-
Contributions - employer	-	287,120	(287,120)
Contributions - employee	-	55,027	(55,027)
Net investment income	-	758,568	(758,568)
Benefit payments and refunds of employee contributions	(21,402)	(21,402)	-
Administrative expense	-	(12,438)	12,438
Net changes	<u>140,879</u>	<u>1,066,875</u>	<u>(925,996)</u>
Balances at 12/31/2019	<u><u>\$ 4,825,391</u></u>	<u><u>\$ 4,600,661</u></u>	<u><u>\$ 224,730</u></u>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$619,596. At December 31, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to the municipal employee's, firefighter's and police officer's pension from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (876,843)
Changes of assumptions	226,752
Net difference between projected and actual earnings on pension plan investments	(1,091,434)
Total	<u>\$ (1,741,525)</u>

Amounts reported as deferred outflows of resources (+) and deferred inflows (-) of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:

2020	\$ (301,518)
2021	(371,833)
2022	(144,641)
2023	(597,156)
2024	(112,072)
Thereafter	<u>(214,305)</u>
Total	<u>\$ (1,741,525)</u>

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Provisions

The City offers a single-employer Plan that provides health care, disability, and life insurance benefits to eligible retired City employees and their spouses. These benefits were established under collective bargaining agreements or by resolution of Council. The Plan does not issue a stand-alone financial report.

The Summary of Substantive Plan Provisions below is included to clarify the basis of our actuarial valuation and is not meant to govern the operation of the Plan. The summary represents our understanding of the benefits provided by the Plan, based upon documentation provided by the employer and our understanding of the way in which the employer operates the Plan.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Firefighters Union

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (There are no remaining retirees eligible for coverage.)
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Police Officers Union

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (There are no remaining retirees eligible for coverage.)
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Municipal Employees

Non-Union

Benefits Covered:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (One current retiree receives City-paid life insurance benefits.)
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Department of Public Works Union (IBEW)

Benefits Covered:	Eligible retirees hired before January 1, 1993 and their dependents may continue on the City's group health insurance until the retiree reaches age 65 by paying the full premium charged. (There are no remaining retirees eligible for coverage. There are 2 eligible retirees who did not elect to remain on the City's health insurance.)
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NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Plan Membership

As of December 31, 2019, plan membership consisted of:

Active employees	-
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
	<u>1</u>

Changes in Net OPEB Liability

Changes in Net OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2018	<u>\$ 145,160</u>
Changes for the year:	
Service cost	-
Interest	2,638
Changes of benefit terms	(99,793)
Differences between expected and actual experience	28,872
Changes of assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments and refunds of employee contributions	(7,851)
Administrative expense	-
Other changes	-
Net changes	<u>(76,134)</u>
Balances at December 31, 2019	<u>\$ 69,026</u>

The City experienced total OPEB expense of \$31,510 as of December 31, 2019.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Fiscal Year Ending	12/31/2019
Current Discount Rate	\$ 69,026
1% Decrease	\$ 73,660
1% Increase	\$ 64,881

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

Fiscal Year Ending	12/31/2019
Current Discount Rate	\$ 69,026
1% Decrease	\$ 69,026
1% Increase	\$ 69,026

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the actuary, employer, and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Actuarial Present Value of Projected Benefits	Level dollar
Interest Rate	3.75% per year
Mortality	RP-2014 Combined Healthy Mortality Table
Mortality Improvement	Rates derived from the Long-range Demographic Assumptions for the 2015 Social Security Administrations Trustee Report
Participation	0% of current Public Works retirees are assumed to opt-in to coverage prior to the end of their coverage eligibility period

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based upon the types of benefits provided under the substantive Plan at the time of each valuation and on the pattern of sharing the benefit costs between the employer and Plan members to that point.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

Litigation

The City may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

NOTE 10 – SELF INSURANCE – HEALTH INSURANCE

The City entered into an agreement with Municipal Benefit Services (funded by the Municipal Employees Insurance Trust) to provide health and welfare benefits to the City's employees and retirees.

The City's self-insurance program pays health and dental insurance coverage for City employees. Retired employees are also covered by the program provided they pay a monthly premium to the City. Under the Trust Agreement, the City is obligated to make employer contributions as determined by the Trust or on a monthly basis.

At December 31, 2019, there is no material liability of unpaid claims to be reported by the City.

**Required Supplementary
Information**

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,529,500	\$ 6,529,500	\$ 6,504,917	\$ (24,583)
Intergovernmental	577,498	577,498	819,406	241,908
Charges for services	480,050	480,050	545,356	65,306
Interest, rents and royalties	12,500	12,500	43,619	31,119
Licenses and permits	454,050	454,050	687,769	233,719
Fines and forfeits	52,500	52,500	50,887	(1,613)
Other	31,850	31,850	133,738	101,888
Total Revenues	<u>8,137,948</u>	<u>8,137,948</u>	<u>8,785,692</u>	<u>647,744</u>
EXPENDITURES				
Current:				
General government	1,509,680	1,509,680	1,108,349	401,331
Public safety	4,302,730	4,302,730	4,213,377	89,353
Public works	1,821,673	1,821,673	2,085,455	(263,782)
Culture and recreation	607,224	607,224	633,779	(26,555)
Community development	220,088	220,088	95,183	124,905
Building code enforcement	392,886	392,886	368,607	24,279
Total Expenditures	<u>8,854,281</u>	<u>8,854,281</u>	<u>8,504,750</u>	<u>349,531</u>
Excess of revenues over expenditures	<u>(716,333)</u>	<u>(716,333)</u>	<u>280,942</u>	<u>997,275</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	273,406	273,406	521,379	247,973
Transfers out	<u>(1,315,920)</u>	<u>(1,315,920)</u>	<u>(1,386,276)</u>	<u>(70,356)</u>
Total Other Financing Sources (Uses)	<u>(1,042,514)</u>	<u>(1,042,514)</u>	<u>(864,897)</u>	<u>177,617</u>
Net Change in Fund Balance	(1,758,847)	(1,758,847)	(583,955)	1,174,892
Fund Balances, Beginning of Year	<u>3,999,733</u>	<u>3,999,733</u>	<u>3,999,733</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,240,886</u>	<u>\$ 2,240,886</u>	<u>\$ 3,415,778</u>	<u>\$ 1,174,892</u>

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31,

Municipal Employees Pension Plan

Total Pension Liability at Plan Year End

	2019	2018	2017	2016	2015	2014
Actuarial Accrued Liability at January 1	\$ 6,335,217	\$ 6,106,471	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945	\$ 4,607,336
Service cost	162,677	151,378	166,289	137,298	135,432	273,616
Differences between expected and actual experience	(212,170)	-	70,534	-	(113,700)	-
Benefit payments	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)	(500,348)
Changes of assumptions	-	-	356,408	-	-	-
Interest	442,345	440,752	424,041	389,267	373,338	711,341
Total Pension Liability (TPL)	<u>\$ 6,352,664</u>	<u>\$ 6,335,217</u>	<u>\$ 6,106,471</u>	<u>\$ 5,416,298</u>	<u>\$ 5,210,339</u>	<u>\$ 5,091,945</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 5,461,886	\$ 5,893,933	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405	\$ 4,992,594
Benefit payments	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)	(262,000)
Contributions - employer	193,712	193,392	135,508	136,779	193,634	198,243
Contributions - member	26,515	24,575	24,878	22,187	21,480	21,042
Net investment income	1,135,471	(259,726)	760,021	369,746	(48,092)	356,594
Administrative expenses	(16,302)	(26,904)	(19,604)	(27,751)	(30,877)	(26,068)
Total Plan Fiduciary Net Position	<u>\$ 6,425,877</u>	<u>\$ 5,461,886</u>	<u>\$ 5,893,933</u>	<u>\$ 5,320,229</u>	<u>\$ 5,139,874</u>	<u>\$ 5,280,405</u>

City Net Pension Liability (Asset)	<u>\$ (73,213)</u>	<u>\$ 873,331</u>	<u>\$ 212,538</u>	<u>\$ 96,069</u>	<u>\$ 70,465</u>	<u>\$ (188,460)</u>
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Plan fiduciary net position as a percentage of the total pension liability	101.2%	86.2%	96.5%	98.2%	98.6%	103.70%
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Covered-employee payroll	\$ 1,478,079	\$ 1,279,181	\$ 1,255,134	\$ 1,264,036	\$ 1,114,818	\$ 1,160,268
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-5.0%	68.3%	16.9%	7.6%	6.3%	N/A
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CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31,

Police Pension Plan

Total Pension Liability at Plan Year End

	2019	2018	2017	2016	2015	2014
Actuarial Acrued Liability at January 1	\$ 8,063,251	\$ 7,873,272	\$ 7,269,402	\$ 7,113,618	\$ 7,193,968	\$ 6,772,003
Service cost	189,934	179,535	171,394	159,679	152,075	354,316
Changes of benefit terms	-	-	-	-	(18,267)	-
Differences between expected and actual experience	(115,414)	-	(59,672)	-	(267,700)	-
Benefit payments	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)	(954,655)
Changes of assumptions	-	-	471,417	-	-	-
Interest	569,999	564,110	550,443	525,986	512,602	1,022,304
Total Pension Liability (TPL)	<u>\$ 8,146,516</u>	<u>\$ 8,063,251</u>	<u>\$ 7,873,272</u>	<u>\$ 7,269,402</u>	<u>\$ 7,113,618</u>	<u>\$ 7,193,968</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 7,568,938	\$ 8,300,110	\$ 7,611,053	\$ 7,478,342	\$ 7,835,276	\$ 7,551,807
Benefit payments	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)	(479,551)
Contributions - employer	192,439	183,505	145,471	133,197	188,168	221,701
Contributions - member	19,988	19,727	17,913	18,538	17,049	16,650
Net investment income	1,566,206	(360,541)	1,086,322	544,151	(66,660)	556,254
Administrative expenses	(18,188)	(20,197)	(30,937)	(33,294)	(36,431)	(31,571)
Total Plan Fiduciary Net Position	<u>\$ 8,768,129</u>	<u>\$ 7,568,938</u>	<u>\$ 8,300,110</u>	<u>\$ 7,611,053</u>	<u>\$ 7,478,342</u>	<u>\$ 7,835,290</u>
City Net Pension Liability (Asset)	<u>\$ (621,613)</u>	<u>\$ 494,313</u>	<u>\$ (426,838)</u>	<u>\$ (341,651)</u>	<u>\$ (364,724)</u>	<u>\$ (641,322)</u>

Plan fiduciary net position as a percentage of the total pension liability	107.6%	93.9%	105.4%	104.7%	105.1%	108.90%
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Covered-employee payroll	\$ 1,024,603	\$ 881,638	\$ 931,319	\$ 784,113	\$ 937,229	\$ 782,344
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-60.7%	56.1%	-45.8%	-43.6%	-38.9%	N/A
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CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31

Firefighters Pension Plan

Total Pension Liability at Plan Year End

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability at January 1	\$ 4,684,512	\$ 3,560,261	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393	\$ 2,115,985
Service cost	220,114	193,215	154,335	154,629	147,970	273,950
Benefit payments	(21,402)	(1,352)	-	(21,854)	-	(21,359)
Change of benefit terms	-	636,134	-	-	388,152	-
Differences between expected and actual experience	(363,639)	-	(142,810)	-	(332,424)	-
Changes of assumptions	-	-	(87,452)	-	-	-
Interest	305,806	296,254	225,122	208,864	187,336	309,817
Total Pension Liability (TPL)	<u>\$ 4,825,391</u>	<u>\$ 4,684,512</u>	<u>\$ 3,560,261</u>	<u>\$ 3,411,066</u>	<u>\$ 3,069,427</u>	<u>\$ 2,678,393</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 3,533,786	\$ 3,347,628	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930	\$ 1,467,383
Benefit payments	(21,402)	(1,352)	-	(21,854)	-	-
Contributions - employer	287,120	318,798	298,185	293,375	255,310	255,007
Contributions - member	55,027	48,304	46,872	42,398	40,464	38,551
Net investment income	758,568	(159,269)	374,329	189,906	25,278	116,200
Administrative expenses	(12,438)	(20,323)	(14,168)	(14,707)	(16,690)	(15,769)
Total Plan Fiduciary Net Position	<u>\$ 4,600,661</u>	<u>\$ 3,533,786</u>	<u>\$ 3,347,628</u>	<u>\$ 2,642,410</u>	<u>\$ 2,153,292</u>	<u>\$ 1,861,372</u>
City Net Pension Liability (NPL)	<u>\$ 224,730</u>	<u>\$ 1,150,726</u>	<u>\$ 212,633</u>	<u>\$ 768,656</u>	<u>\$ 916,135</u>	<u>\$ 817,021</u>

Plan fiduciary net position as a percentage of the total pension liability	95.3%	75.4%	94.0%	77.5%	70.2%	70%
Covered-employee payroll	\$ 1,240,987	\$ 1,161,591	\$ 1,039,727	\$ 940,445	\$ 873,664	\$ 807,829
City's Net Pension Liability as a percentage of covered-employee payroll	18.1%	99.1%	20.5%	81.7%	104.9%	102%

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2010	\$ 156,819	\$ 208,971	\$ (52,152)	\$ 1,239,358	16.9%
2011	227,145	242,259	(15,114)	-	N/A
2012	238,199	238,199	-	1,120,583	21.3%
2013	211,217	211,217	-	-	N/A
2014	198,243	198,243	-	1,160,268	17.1%
2015	193,634	193,634	-	1,114,818	17.4%
2016	136,779	136,779	-	1,264,036	10.8%
2017	135,508	135,508	-	1,255,134	10.8%
2018	193,392	193,392	-	1,279,181	15.1%
2019	193,712	193,712	-	1,478,079	13.1%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Notes to the Supplementary Schedules

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement age	Later of Normal Retirement age or attained age if currently eligible to retire.

Changes to Benefits:

Effective 1-1-2018, the pension plan was amended to grant third Class City Code minimum required benefits for full-time, non-uniformed, non-union employees hired after January 1, 2018 and for full-time, non-uniformed, non-union employees hired after January 1, 2019.

Changes to Assumptions:

Effective 1-1-2009, AVA smoothing (4-year) and RP-2000 Combined Healthy Mortality Table

Effective 1-1-2011, pre-retirement death benefits are valued directly

Effective 1-1-2013, mortality assumption updated to recognize mortality improvements are expected to continue to occur

Effective 1-1-2017, Inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy mortality and 7.5% Scale AA to RP-2014 mortality and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumptions updated from 60% of the rates from Advanced Pension tables to rates based on the Social Security Administration's 2010 projections of disability incidence.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2010	\$ -	\$ -	\$ -	\$ 813,673	N/A
2011	174,963	188,423	(13,460)	-	N/A
2012	174,099	174,099	-	864,627	20.1%
2013	181,370	181,370	-	-	N/A
2014	221,701	221,701	-	782,344	28.3%
2015	188,168	188,168	-	937,229	20.1%
2016	133,197	133,197	-	784,113	17.0%
2017	145,471	145,471	-	931,319	15.6%
2018	183,505	183,505	-	881,638	20.8%
2019	192,439	192,439	-	1,024,003	18.8%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Notes to the Supplementary Schedules

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% plus an additional 2.667% in the year preceding retirement to reflect the inclusion of pay for unused sick days in the calculation of Final Average Monthly Compensation including inflation.
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustments, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for the 2015 SSA's trustee report.
Retirement age	Participants who will be over age 55 at 20 or more years of service are assumed to retire. For all others 40% are assumed to retire upon reaching 20 years of service before age 55, 20% are assumed to retire after reaching 21 or more years of service before age 55.

Changes to Benefits:

Effective 1-1-2007, the extra service benefit was changed to 1/40 of normal retirement benefit for each year completed over 20 up to a maximum monthly benefit of \$500. Also, the percentage of accumulated sick days used in the calculation of final average monthly compensation increased to 40%.

Effective 1-1-2009, normal retirement eligibility was changed to 20 years of service with no age requirement.

Effective 1-1-2015, Plan amended to eliminate killed-in-service benefit.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan
(Continued)

Changes to Assumptions:

Effective 1-1-2009, asset smoothing (4-year), pre-retirement death benefits now directly valued, mortality table changed to RP-2000 Combined Healthy Mortality Table projected forward to 2005 with scale AA, and retirement assumption of 20% once 20 years of service with 100% assumed to age 55.

Effective 1-1-2013, mortality improvement and blue-collar adjustment now included.

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy Mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with 50% Blue Collar adjustment and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advance Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence; retirement assumption was modified, increasing rates of retirement under age 55.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2010	\$ 73,598	\$ 98,339	\$ (24,741)	\$ 741,390	13.3%
2011	99,007	107,671	(8,664)	-	N/A
2012	101,786	101,786	-	805,823	12.6%
2013	300,800	300,800	-	-	N/A
2014	255,007	255,007	-	807,829	31.6%
2015	255,310	255,310	-	873,664	29.2%
2016	293,375	293,375	-	940,445	31.2%
2017	298,185	298,185	-	1,039,727	28.7%
2018	318,798	318,798	-	1,161,591	27.4%
2019	287,120	287,120	-	1,240,987	23.1%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Notes to the Supplementary Schedules

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	4 years aggregate
Asset valuation method	Market Value
Inflation	2.75%
Salary increase	4.5% including inflation
Investment rate of return	6.75% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with 50% of the Blue-Collar Adjustment, rates set forward 5 years for disabled lives. Mortality improvement rates derived from long-range assumptions for the 2015 social security administration's trustee report.
Retirement Age:	Normal retirement age, or attained age, if currently eligible to retire

Changes to Benefits:

Effective in 2010, compensation base for benefits was changed to the greater of monthly rate of pay at retirement, normal retirement benefit is 50% of final average salary, employee contributions increased to 5.0% and a differentiation was made between service and non-service related disabilities.

Effective 1-1-2015, a 100% survivor benefit was added, a pre-retirement death benefit was added with 50% of the vested accrued payable immediately or 100% of the accrued payable at normal retirement, a service increment equal to 1/40 of benefit for service over 20 years up to a maximum of \$250 a month and employee contributions increased \$2.50 per month per employee.

Effective 1-1-2018, as of January 1, 2020, the retirement eligibility has been reduced from age 55 with 20 years of service to age 50 with 20 years of service. Additionally, for new hires after January 1, 2020, the maximum service increment has been reduced from \$250 a month to \$100 a month.

Changes to Assumptions:

Effective 1-1-2007, interest rate lowered to 5.5%.

Effective 1-1-2009, mortality table updated to RP-2000 Combined Healthy Mortality.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan
(Continued)

Effective 1-1-2011, interest rate lowered to 5.25% and direct value of the pre-retirement death benefits.

Effective 1-1-2013, interest rate increased to 6.50%, no turnover assumed and a mortality projection and blue-collar adjustment were included.

Effective 1-1-2017, interest rate was increased to 6.75%. The rate of inflation was lowered to 2.75% the mortality table was updated to RP-2014 Mortality Table with 50% Blue Collar Adjustment. Mortality Improvement rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Disability assumptions changed to rates based on the Social Security Administration's 2010 projection of disability incidence.

CITY OF WARREN, PENNSYLVANIA
Schedule of Investment Ratios

Annual money weighted return, net of investment expense not funded through MMO.

Municipal Employees

2014	7.29%
2015	-0.93%
2016	7.36%
2017	14.63%
2018	-4.45%
2019	21.35%

Police

2014	7.57%
2015	-0.87%
2016	7.46%
2017	14.70%
2018	-4.44%
2019	21.33%

Firefighters

2014	7.73%
2015	1.34%
2016	8.67%
2017	13.97%
2018	-4.70%
2019	21.21%

CITY OF WARREN, PENNSYLVANIA
Pension Trusts
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a % of Covered Payroll ((b-a)/c)
Employee Pension Fund						
1/1/2019	\$ 5,779,012	\$ 6,123,047	\$ 344,035	94.4%	\$ 1,279,181	26.9%
1/1/2017	5,545,250	5,843,240	297,990	94.9%	1,264,036	23.60%
1/1/2015	4,989,306	4,978,245	(11,061)	100.2%	1,160,268	NA
1/1/2013	4,148,734	4,607,336	458,602	90.0%	1,120,583	40.9%
1/1/2011	3,510,531	4,151,305	640,774	84.6%	1,239,358	51.7%
1/1/2009	2,997,482	3,618,059	620,577	82.8%	1,136,096	54.6%
Police Pension Fund						
1/1/2019	\$ 8,001,853	\$ 7,947,837	\$ (54,016)	100.7%	\$ 881,638	NA
1/1/2017	7,928,591	7,681,147	(247,444)	103.2%	784,113	NA
1/1/2015	7,358,838	6,908,001	(450,837)	106.5%	782,344	NA
1/1/2013	6,494,538	6,772,003	277,465	95.9%	864,627	32.1%
1/1/2011	6,152,280	6,346,882	194,602	96.9%	813,673	23.9%
1/1/2009	6,031,216	6,062,150	30,934	99.5%	697,393	4.4%
Firefighters Pension Fund						
1/1/2019	\$ 3,533,786	\$ 4,320,873	\$ 787,087	81.8%	\$ 1,161,591	67.8%
1/1/2017	2,642,410	3,180,804	538,394	83.1%	940,445	57.20%
1/1/2015	1,848,930	2,734,121	885,191	67.6%	807,829	109.6%
1/1/2013	1,062,663	2,115,985	1,053,322	50.2%	805,823	130.7%
1/1/2011	729,441	2,027,225	1,297,784	36.0%	741,390	175.0%
1/1/2009	812,665	1,200,322	387,657	67.7%	702,840	55.2%

CITY OF WARREN, PENNSYLVANIA
POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION TRUSTS
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2019	\$ -	\$ 69,026	\$ 69,026	0%	\$ -	0.00%
01/01/2017	-	148,369	148,369	0%	54,434	2.72%
01/01/2014	-	439,604	439,604	0%	2,391,807	19.0%
01/01/2011	-	531,979	531,979	0%	2,311,759	23.0%

CITY OF WARREN, PENNSYLVANIA
Other Post-Employment Benefits
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ -	\$ -	\$ -
Interest	2,638	1,730	5,789
Changes of benefit terms	(99,793)	-	-
Differences between expected and actual experience	28,872	-	(24,870)
Changes of assumptions	-	-	-
Other changes	-	-	(13,643)
Benefit payments, including refunds of employee contributions	<u>(7,851)</u>	<u>(4,939)</u>	<u>1,847</u>
Net change in total OPEB liability	(76,134)	(3,209)	(30,877)
Total OPEB liability – beginning	<u>145,160</u>	<u>148,369</u>	<u>179,246</u>
Total OPEB liability – ending	<u><u>\$ 69,026</u></u>	<u><u>\$ 145,160</u></u>	<u><u>\$ 148,369</u></u>
Covered employee payroll	\$ -	\$ 54,434	\$ 54,434
Total OPEB liability as a percentage of covered employee payroll	N/A	266%	272%

Notes to the Supplementary Schedules

There were no significant changes to the assumptions used in calculating the above total from the prior year report. No assets are accumulated in a trust for payment of benefits to employees.

Other Supplementary Information

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Parking Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 361,840	\$ 361,840	\$ 521,435	\$ 159,595
Total Operating Revenues	361,840	361,840	521,435	159,595
Operating Expenses				
Salaries and wages	80,492	80,492	71,964	8,528
Employee benefits	20,783	20,783	28,630	(7,847)
Supplies	38,250	38,250	8,767	29,483
Utilities	26,000	26,000	23,984	2,016
Other	267,100	267,100	74,244	192,856
Depreciation	-	-	263,366	(263,366)
Total Operating Expenses	432,625	432,625	470,955	(38,330)
Operating Income (Loss)	(70,785)	(70,785)	50,480	121,265
Non-Operating Revenue (Expense)				
Investment earnings	-	-	1,061	1,061
Interest expense	(623)	(623)	(623)	-
Transfers out	(137,748)	(137,748)	(137,746)	2
Total Non-Operating Revenue (Expense)	(138,371)	(138,371)	(137,308)	1,063
Change in Net Position	(209,156)	(209,156)	(86,828)	122,328
Net Position, Beginning of Year	7,689,172	7,689,172	7,689,172	-
Net Position, End of Year	\$ 7,480,016	\$ 7,480,016	\$ 7,602,344	\$ 122,328

CITY OF WARREN, PENNSYLVANIA

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual

Sewer Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 2,109,862	\$ 2,109,862	\$ 2,525,141	\$ 415,279
Total Operating Revenues	2,109,862	2,109,862	2,525,141	415,279
Operating Expenses				
Salaries and wages	310,301	310,301	384,410	(74,109)
Employee benefits	154,836	154,836	142,374	12,462
Supplies	119,700	119,700	171,054	(51,354)
Sludge removal	164,000	164,000	169,591	(5,591)
Utilities	216,450	216,450	168,696	47,754
Other	1,091,604	1,091,604	206,369	885,235
Depreciation / amortization	-	-	647,627	(647,627)
Total Operating Expenses	2,056,891	2,056,891	1,890,121	166,770
Operating Income (Loss)	52,971	52,971	635,020	582,049
Non-Operating Revenue (Expense)				
Investment earnings	50,000	50,000	119,436	69,436
Interest expense	(194,170)	(194,170)	(193,642)	528
Gain/(loss) on sale of assets	-	-	8,739	8,739
Transfers out	(206,409)	(206,409)	(66,410)	139,999
Total Non-Operating Revenue (Expense)	(350,579)	(350,579)	(131,877)	218,702
Change in Net Position	(297,608)	(297,608)	503,143	800,751
Net Position, Beginning of Year	13,971,257	13,971,257	13,971,257	-
Net Position, End of Year	\$ 13,673,649	\$ 13,673,649	\$ 14,474,400	\$ 800,751

CITY OF WARREN, PENNSYLVANIA

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2019

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 228,592	\$ 320,489	\$ 15,799	\$ 1	\$ -	\$ 564,881
Accounts receivable	57,621	-	-	-	-	57,621
Interfund receivable	38,767	-	-	-	-	38,767
Intergovernmental receivable, net	-	-	-	4,090	-	4,090
Total Assets	<u>\$ 324,980</u>	<u>\$ 320,489</u>	<u>\$ 15,799</u>	<u>\$ 4,091</u>	<u>\$ -</u>	<u>\$ 665,359</u>
LIABILITIES						
Accounts payable	\$ 95,848	\$ -	\$ -	\$ -	\$ -	\$ 95,848
Interfund payable	-	-	-	4,090	-	4,090
Deferred revenue	229,132	-	-	1	-	229,133
Total Liabilities	<u>324,980</u>	<u>-</u>	<u>-</u>	<u>4,091</u>	<u>-</u>	<u>329,071</u>
FUND BALANCE						
Restricted:						
Liquid fuels	-	320,489	-	-	-	320,489
Committed						
Glade floodway	-	-	15,799	-	-	15,799
Total Fund Balance	<u>-</u>	<u>320,489</u>	<u>15,799</u>	<u>-</u>	<u>-</u>	<u>336,288</u>
Total Liabilities and Fund Balance	<u>\$ 324,980</u>	<u>\$ 320,489</u>	<u>\$ 15,799</u>	<u>\$ 4,091</u>	<u>\$ -</u>	<u>\$ 665,359</u>

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	\$ -	\$ 315,055	\$ -	\$ 18,271	\$ -	\$ 333,326
Interest, rents and royalties	-	12,382	38	-	-	12,420
Other	57,621	-	-	-	-	57,621
Total Revenues	57,621	327,437	38	18,271	-	403,367
EXPENDITURES						
Community development	1,205,107	-	-	18,271	-	1,223,378
Debt service	-	-	-	-	243,339	243,339
Total Expenditures	1,205,107	-	-	18,271	243,339	1,466,717
Excess of revenues over expenditures	(1,147,486)	327,437	38	-	(243,339)	(1,063,350)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,147,486	-	7,500	-	243,339	1,398,325
Transfers out	-	(326,022)	(3,250)	-	-	(329,272)
Total Other Financing Sources (Uses)	1,147,486	(326,022)	4,250	-	243,339	1,069,053
Net Change in Fund Balance	-	1,415	4,288	-	-	5,703
Fund Balance, Beginning of Year	-	319,074	11,511	-	-	330,585
Fund Balance, End of Year	\$ -	\$ 320,489	\$ 15,799	\$ -	\$ -	\$ 336,288

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Fiduciary Net Position
Pension Trusts
December 31, 2019

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
ASSETS				
Cash and cash equivalents	\$ 3,673	\$ 46,883	\$ 31,314	\$ 81,870
Investments	4,593,007	8,724,238	6,395,551	19,712,796
Accounts receivable	4,050	-	960	5,010
	<u>4,050</u>	<u>-</u>	<u>960</u>	<u>5,010</u>
Total Assets	<u>\$ 4,600,730</u>	<u>\$ 8,771,121</u>	<u>\$ 6,427,825</u>	<u>\$ 19,799,676</u>
LIABILITIES				
Accounts payable	\$ 54	\$ 3,053	\$ 1,948	\$ 5,055
	<u>54</u>	<u>3,053</u>	<u>1,948</u>	<u>5,055</u>
Total Liabilities	<u>54</u>	<u>3,053</u>	<u>1,948</u>	<u>5,055</u>
NET POSITION				
Net position held in trust for pension	4,600,676	8,768,068	6,425,877	19,794,621
	<u>4,600,676</u>	<u>8,768,068</u>	<u>6,425,877</u>	<u>19,794,621</u>
Total Net Position	<u>4,600,676</u>	<u>8,768,068</u>	<u>6,425,877</u>	<u>19,794,621</u>
Total Liabilities and Net Position	<u>\$ 4,600,730</u>	<u>\$ 8,771,121</u>	<u>\$ 6,427,825</u>	<u>\$ 19,799,676</u>

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2019

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
Additions:				
Contributions				
Employer	\$ 287,120	\$ 192,439	\$ 193,712	\$ 673,271
Plan members	55,027	19,988	26,514	101,529
Total	342,147	212,427	220,226	774,800
Investment income (loss), net	758,637	1,566,145	1,135,471	3,460,253
Total Additions	1,100,784	1,778,572	1,355,697	4,235,053
Deductions:				
Benefits	21,402	564,484	375,406	961,292
Management expense	12,492	17,849	15,503	45,844
Total Deductions	33,894	582,333	390,909	1,007,136
Change in Net Position	1,066,890	1,196,239	964,788	3,227,917
Net Position, Beginning of Year	3,533,786	7,571,829	5,461,089	16,566,704
Net Position, End of Year	\$ 4,600,676	\$ 8,768,068	\$ 6,425,877	\$ 19,794,621



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Warren, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Warren, Pennsylvania's basic financial statements, and have issued our report thereon dated September 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Warren, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warren, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Felix and Gloekler, P.C.

September 2, 2020
Erie, Pennsylvania